



Pacific Financial Technical Assistance Centre
Financial Technical Advice in the Pacific

Macroeconomic Analysis and Forecasting

2015 Steering Committee Meeting

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Purpose of technical assistance

- Better macroeconomic analysis and forecasting to improve economic management and economic growth
- **Develop** tools—financial programming framework—specific to countries
- To help analyze economic developments in a coherent and consistent manner
- **Build capacity**—staff training
- To apply and use tools in day-to-day activities
- **Supplement capacity**—directly support the production of outputs
- **Share best practices**—regional workshops



Lessons learned

- Staff capacity varies across countries
- Technical assistance must recognize constraints
- Progress is uneven and made at margin
- Improving macroeconomic analysis and forecasting is an on-going process
- Internalizing training is important
- Design missions to support workflows, e.g. in preparation for IMF Article IV missions
- Shorter missions (typically one week)
- Hands-on training developing key aspects of most pressing policy issues
- Measurable outcomes have a large qualitative component



Sequencing of results-based objectives

- Develop a monitoring framework to analyze current economic conditions
- Produce short-term forecasts
- Develop a macro-fiscal framework for medium-term projections to capture the effect of policies, economic linkages
- Incorporate debt dynamics into the macro-fiscal framework
- ... to evaluate the sustainability of policies, incorporate the potential risks from natural disasters, changing demographics



Focus for fiscal years 2015 and 2016

2015 Review

- I. Enhance the financial programming (FP) framework
- II. Improve countries' multi-year fiscal planning
- III. Assist in managing the potential fiscal impact of natural disasters

Objectives of 2016 Work Plan

- I. Develop more integrated macroeconomic monitoring / projection processes
- II. Enhance the multi-year aspect of fiscal planning
- III. Develop capacity of staff to conduct their own debt sustainability assessments
- IV. Manage the potential fiscal impact of natural disasters



FY 2015 Review

- I. Enhance the financial programming (FP) framework
- Objectives of TA
 - a) Achieve consistency across sectors in monitoring and projection activities
 - b) Increase collaboration between experts in different sectors to promote coordination within and across institutions
 - FP frameworks developed in Fiji, Papua New Guinea, Solomon Islands and Vanuatu in FY2013
 - In FY2014 and FY2015 follow-up support focused on simplifying frameworks for staff use



FY 2015 Review

II. Improve countries' multi-year fiscal planning

- Budget planning tends to focus on the coming fiscal year
- New spending commitments are often multi-year
- Fiscal adjustment needed in some countries with the expiry of Compact grants
- Focus of TA
 - a) Develop medium-term (three- to five-year) projections for fiscal planning



FY 2015 Review

III. Assist countries in managing the potential fiscal impact of natural disasters

- Work programme at early stages
- Joint workshop with the World Bank Disaster Risk Financing and Insurance (DRFI) Program in FY2015
- Broad overview of strategies and procedures to mitigate the economic and fiscal impact of natural disasters
- Objective of TA
 - a) Increase awareness of disaster risks for fiscal planning



2016 Work Plan

- I. Develop more integrated macroeconomic monitoring / projection processes
 - Develop simple financial programming (FP) frameworks to meet the diverse needs of countries
 - Integrate existing models into a coherent and consistent framework
 - In higher-capacity countries, training will shift to focus on the medium-term outlook
 - Objectives of TA
 - a) Tailor and improve (FP) frameworks
 - b) Build capacity
 - c) Promote interaction within and across institutions



2016 Work Plan

II. Enhance the multi-year aspect of fiscal planning

- Incorporate multi-year spending commitments into budgets
- Long-run fiscal pressures from the expiry of Compact grants
- Develop and assess policy options and understand the underlying trade-offs
- Objectives of TA
 - a) Help manage fiscal adjustment
 - b) Supplement capacity
 - c) Develop medium-term (three- to five-year) projections for fiscal planning



2016 Work Plan

III. Develop capacity of staff to conduct their own debt sustainability assessments

- Multi-year fiscal planning requires identifying fiscal pressures and managing risks
- Public debt sustainability—an important analytical tool
- Objectives of TA
 - a) Develop consistent macro-fiscal frameworks with public debt dynamics
 - b) Generate baseline medium-term projections to gauge the risks of new borrowing



2016 Work Plan

IV. Manage the potential fiscal impact of natural disasters

- Joint workshop with the World Bank Disaster Risk Financing and Insurance (DRFI) Program in FY2015—a first step
- Bilateral assistance is needed to address country-specific issues
- Objectives of TA
 - a) Ensure ready access to adequate financial resources for emergency response efforts
 - b) Develop methodology to assess the impact of disaster risks for debt sustainability



General discussion

- Do frequent, short missions work?
- What are the medium-term fiscal pressures? Changing demographics? Revenue generation?
- Is disaster planning a priority? If yes, what would be useful?
- How can we promote greater interactions within and across institutions?
- What are the main constraints to performing debt sustainability assessments?

